

March 10, 2002

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: March 10, 2002 REVENUE COLLECTION REPORT

General Fund-State collections were a little less than expected in the February 11-March 10 period, with receipts \$5.6 million below the February 2002 forecast. Revenue Act (retail sales, business and occupation, use and public utility taxes) sources were the major contributors to the shortfall for the month. Most other General Fund-State taxes collected by the Department of Revenue were higher than expected. Although the relatively small shortfall this month indicates that the February forecast is on track, Washington's economy and revenue growth remain weak. This is the second month in a row in which tax collections were below the year-ago level and the fourth time in the last six months.

Revenue Act taxes were \$13.3 million below the forecast for the February 11-March 10, 2002 collection period. Collections this period primarily reflect January 2002 business activity. Collections were again quite weak, with receipts 4.9 percent below the year-ago level after adjusting for special factors. This is a slight improvement from last month's 7.2 percent year-over-year-decline. However, any significant improvement in revenue growth will not occur until Washington's economy improves. Currently, the state's economy remains weak and consumers and businesses remain cautious. Employment declined and income grew very slowly in the fourth quarter and the state's unemployment rate rose from 7.4 percent in December to 7.5 percent in January 2002. While the recession may be over for the U.S. economy, declining employment indicate that it is not yet over in Washington. With additional job losses in the state's aerospace industry still ahead, the state's economic recovery is not expected until later this year.

Preliminary data on taxes paid based on January business activity continued to show widespread weakness. Again the weakest areas were in the non-retailing sectors. Taxes paid by the construction sector were 12.6 percent below the year-ago level. The wholesale trade sector was worse, with year-over

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year tax payments 15.7 percent less than last year. Taxes paid by the service, and the finance, insurance and real estate sectors were also down from a year-ago. The manufacturing and transportation, communications and utilities sectors paid about the same amount of taxes as a year-ago. The retailing sector was a little better, with tax payments up 0.9 percent. Most, but not all, major retailing sectors reporting an increase in tax payments. Auto retailers and building materials/hardware stores again did the best among the retailers, with tax payments of auto retailers 4.4 percent above the year-ago level and building materials/hardware retailers reporting a 12.0 percent increase. Furniture and appliance retailers reported a 4.7 percent decline in tax payments for the period.

Other General Fund taxes collected by the Department of Revenue were \$7.8 million more than the estimate for the month. All major Non Revenue Act taxes were above the forecast. Estate tax payments were \$2.1 million higher than expected and "other" (primarily unclaimed property revenue) were \$3.7 million above the forecast, accounting for most of the higher than expected Non Revenue Act collections. Real estate excise tax payments were \$673,000 higher than expected.

Real estate activity, based on real estate excise tax payments, was stronger than expected in January despite overall economic weakness. January real estate activity reflect real estate closings in January and real estate excise tax payments to the state in February. Statewide, real estate excise activity was up 5.0 percent from the same period a year-ago. This is the first monthly increase in five months. Last month activity was down 6.1 percent. The number of transactions was up 11.1 percent while the average price per transaction continued to decline, falling 5.5 percent. The average price per transaction has now declined for seven straight months. Real estate activity improved in King County. Taxable activity declined only 1.9 percent in January after three consecutive months of double-digit declines.

Department of Licensing General Fund collections were \$6,000 more than the estimate for the month. The attached Table 1 provides a comparison of collections with the forecast for the February 11 - March 10, 20002 collection period and cumulatively since the last forecast. The cumulative variance is virtually identical to the variance for the current collection period in Table 1 because the monthly estimates based on the February 2002 forecast have been adjusted to reflect actual collections through February 10, 2002. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
March 10, 2002 Collections Compared to the February 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
February 11 - March 10, 2002				
Department of Revenue-Total	\$631,873	\$626,314	(\$5,559)	-0.9%
Revenue Act** (1)	570,110	556,711	(13,399)	-2.4%
Non-Revenue Act(2)	61,762	69,602	7,840	12.7%
Liquor Sales/Liter	6,211	6,520	309	5.0%
Cigarette	5,796	5,862	66	1.1%
Property (State School Levy)	4,489	5,311	822	18.3%
Estate	11,549	13,635	2,085	18.1%
Real Estate Excise	24,552	25,210	658	2.7%
Timber (state share)	1,937	2,173	237	12.2%
Other	7,227	10,890	3,663	50.7%
Department of Licensing (2)	527	533	6	1.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$632,399	\$626,846	(\$5,553)	-0.9%
Cumulative Variance Since the February 2002 Forecast (February 11 - March 10, 2002)				
Department of Revenue-Total	\$631,873	626,314	(5,559)	-0.9%
Revenue Act** (3)	570,110	556,711	(13,399)	-2.4%
Non-Revenue Act(4)	61,762	69,602	7,840	12.7%
Liquor Sales/Liter	5,769	6,520	751	13.0%
Cigarette	5,796	5,862	66	1.1%
Property (State School Levy)	4,429	5,311	882	19.9%
Estate	11,549	13,635	2,085	18.1%
Real Estate Excise	24,537	25,210	673	2.7%
Timber (state share)	1,937	2,173	237	NA
Other	7,744	10,890	3,146	40.6%
Department of Licensing (4)	527	533	6	1.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$632,399	\$626,846	(\$5,553)	-0.9%

1 Collections February 11 - March 10, 2002. Collections primarily reflect January 2002 activity of monthly taxpayers.

2 February 1-28, 2002 collections.

3 Cumulative collections, estimates and variance since the February 2002 forecast; (February 11-March 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the February 200 forecast;(February 2002) and revisions to history.)

* Based on the February economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
February 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
January 11 - February 10, 2002				
Department of Revenue-Total	\$935,429	\$935,429	(\$0)	-0.0%
Revenue Act (1)	865,469	865,469	0	0.0%
Non-Revenue Act(2)	69,960	69,960	(0)	-0.0%
Liquor Sales/Liter	10,805	10,805	0	0.0%
Cigarette	3,835	3,835	(0)	-0.0%
Property (State School Levy)-net	11,015	11,015	(0)	-0.0%
Property tax collections	11,015	11,015	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	4,888	4,888	(0)	-0.0%
Real Estate Excise	31,148	31,148	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	8,269	8,269	0	0.0%
Department of Licensing (2)	549	549	0	0.1%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$945,978	\$935,978	(\$10,000)	-1.1%

Cumulative Receipts: November 11 - February 10, 2002 & Revisions to History

Department of Revenue-Total	2,947,639	\$2,947,639	\$0	0.0%
Revenue Act (3)	2,127,324	2,127,324	0	0.0%
Non-Revenue Act(4)	820,315	820,315	(0)	-0.0%
Liquor Sales/Liter	25,963	25,521	(442)	-1.7%
Cigarette	15,614	15,614	0	0.0%
Property (State School Levy)-net after transfer	607,237	607,177	(60)	-0.0%
Property tax collections	607,237	607,177	(60)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	36,107	36,107	0	0.0%
Real Estate Excise	89,734	89,719	(15)	-0.0%
Timber (state share)	3,134	3,134	0	NA
Other	42,525	43,042	517	1.2%
Department of Licensing (4)	1,849	1,856	7	0.4%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,949,488	\$2,949,495	\$7	0.0%

P-Preliminary. Reported in the February 10, 2002 collection report.

R Revised data.

1 Collections January 11 - February 10, 2002. Collections primarily reflect December 2001 business activity of monthly taxpayers, quarter 4, 01 activity of quarterly filers and calendar 2001 activity of annual filers.

2 January 1-31, 2002 collections.

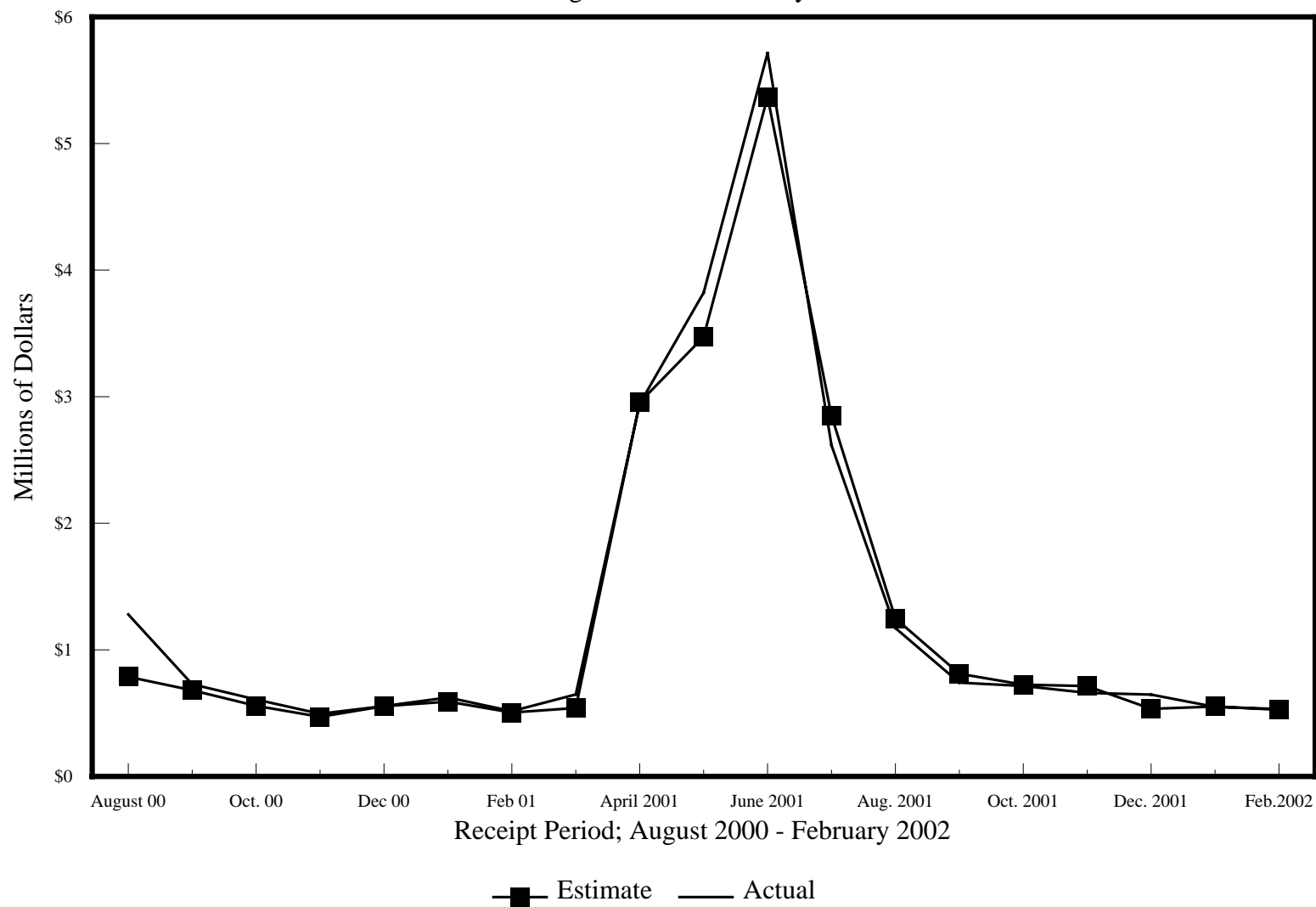
3 Cumulative variance for since the November 2001 forecast: November 11 - February 10, 2002 & revisions to history.

4 Cumulative variance: since the November 2001 forecast (November 2001 thru January) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to February 2002



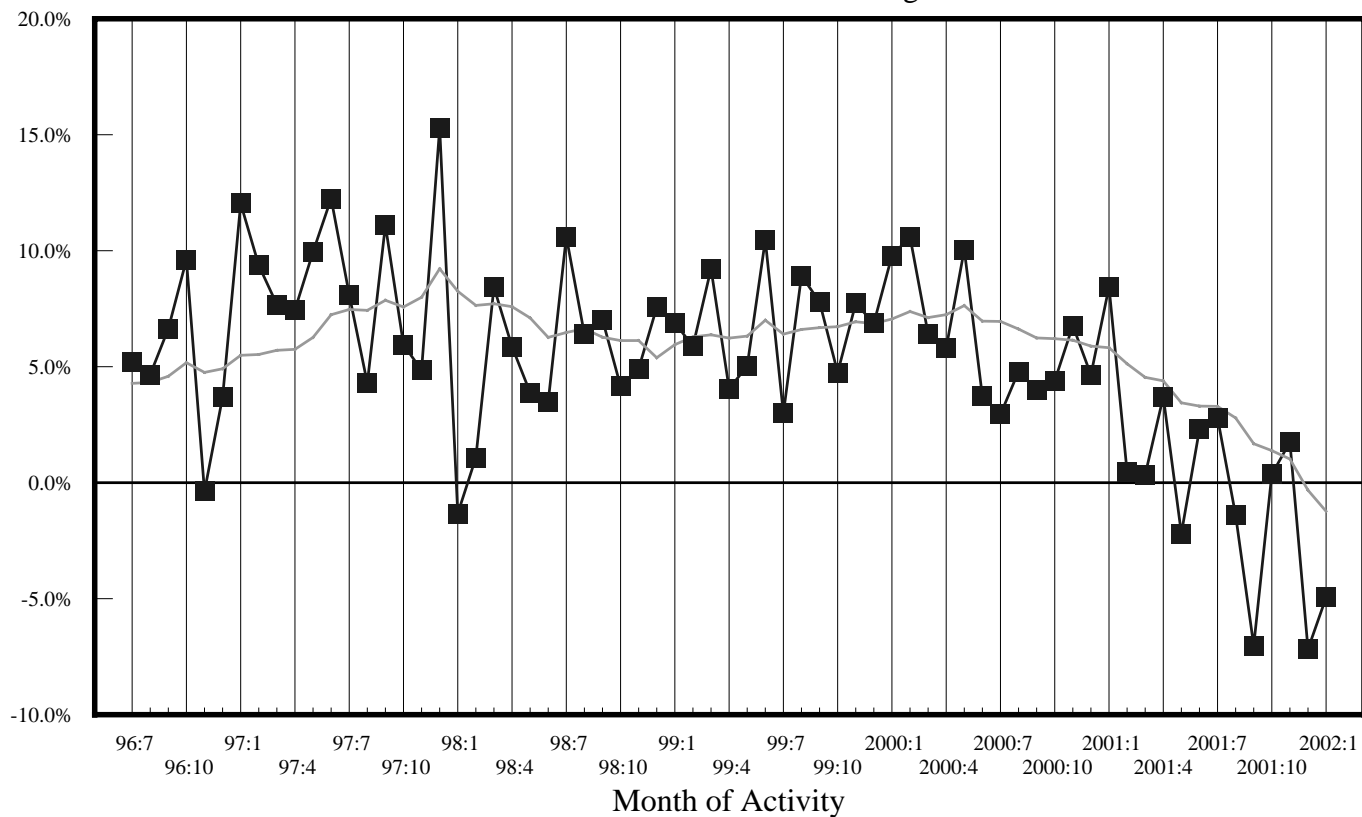
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to January 2002



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*- adjusted for special factors, primarily large assessment payments or credits/refunds.